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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CIAE-00
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INFO AMEMBASSY BRUSSELS
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USEEC

GENEVA FOR PHELAN

FROM US TEXTILE DELEGATION

E.O. 11652: N/A
TAGS: ETRD, HK, EC
SUBJECT: TEXTILES: US CONSULTATION WITH HONG KONG

1. THE US TEXTILE TEAM EHLD CONSULTATIONS WITH HKG (LAWRIE MILLS, PETER TSAO, JUSTIN YUE AND DICK CROWSON) FEB. 13 AND 14. HIGHLIGHTS ARE AS FOLLOWS.

2. WE WERE UNABLE TO REACH AGREEMENT ON A LEVEL FOR 1978 HK EXPORTS OF MEN'S WOOL SUITS (OLD CATEGORY 120, NEW CATEGORY 443). TSAO SAID HKG INSTRUCTIONS DID NOT PERMIT AGREEMENT AT A LEVEL LOWER THAN 120,000 SUITS. ALTHOUGH MILLS FLITERTED BRIEFLY WITH THE IDEA OF A NUMBER SOMEWHAT CLOSER TO 100,000 IF THE US WOULD OFFER CONCESSIONS ELSEWHERE. USG WAS UNWILLING AT THIS TIME TO GO AS FAR AS 100,000.
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ALTHOUGH NUMBERS ARE IMPORTANT TO HKG, THE DIFFERENCE BETWEEN US ON THIS ISSUE CLEARLY IS LESS A MATTER OF HUMBERS THAN OF HKG KEEPING SOME LEVERAGE AGAINST THE POSSIBILITY OF OUR RAISING THE EQUITY QUESTION WITH REGARD TO THE HK/EEC BILATERAL. MILLS RETURNED TO THIS SUBJECT TIME AND AGAIN, AND EVEN ATTEMPTED TO TRADE OFF AGREEMENT ON WOOL SUITS (PRESUMABLY AT A LEVEL UNDER 100,000)

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AGAINST A US COMMITTMENT NOT TO RAISE THE EQUITY ISSUE. ANOTHER FACTOR WHICH HKG CITES REPEATEDLY ON THIS ISSUE IS THE FACT THAT FRANCE, ONE OF THE US' TWO LARGEST SUPPLIERS OF WOOL SUITS, REMAINS UNCONTROLLED. THUS, FOR THE TIME BEING, WOOL SUITS FROM HONG KONG WILL CONTINUE TO BE CONTROLLED UNDER PARAGRAPH 9 OF THE HK/US BILATERAL.

3. AS REGARDS THE QUESTION OF TROUSERS (CATEGORY 347/348) BEING FRAUDULENTLY SHIPPED IN BASKET CATEGORY 359 AS OVERALLS WITH DETACHABLE BIBS, MILLS REFUSED TO ACCEPT THAT ANY CHEATING IS BEING DONE BY HK EXPORTERS UNLESS WE CAN PROVIDE

HARD EVIDENCE. HE SAID HKG CLASSIFIES SUCH ITEMS AS TROUSERS IN ANY CASE, AND NOT IN THE BASKET. IF USG CAN PROVIDE EVIDENCE OF WRONGDOING, HE PROMISED THAT HKG WOULD INVESTIGATE AND PRSECUTE THE OFFENDERS. WE SUGGEST THAT COMMERCE PURSUE WITH US CUSTOMS THE GATHERING OF EVIDENCE PER GAREL/ MOBLEY TELECON.

4. DURING THE COURSE OF A LONG EXCHANGE OF VIEWS ON MFA/TSB MATTERS, MILLS AND TSAO SAID (IN RESPONSE TO US QUESTIONS) THEY PRESUMED THE EC WOULD ROUTINELY SUBMIT THE HK/EC BILATERAL TO THE TSB IN ACCORDANCE WITH MFA ARTICLE 4:4, BUT THAT HKG "HAD NOT TURNED ITS ATTENTION TO" THE QUESTION OF WHETHER IT (HKG) SHOULD MAKE THE NOTIFICATION IF THE EC FAILED TO DO SO. SMITH SAID USG WILL INSIST THAT EC BILA-
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TERALS BE SUBMITTED TO THE TSB, AND WE WOULD HOPE AND EXPECT THAT HKG WOULD SUPPORT US ON THIS.

5. A NUMBER OF TECHNICAL MATTERS PERTAINING TO IMPLEMENTATION AND CLASSIFICATION WERE DISCUSSED, AND AGREEMENT WAS REACHED ON SEVERAL AMENDMENTS TO THE VISA LETTER. THE USG ALSO AGREED TO LOOK INTO THE FEASIBILITY OF CHANGING THE WAY THE YARDAGE OF ROLLED HUCK TOWELS IS MEASURED.

6. COMMENT: WHAT WAS STRIKING ABOUT THIS ROUND OF CONSULTATIONS WAS THE DEFENSIVENESS OF HKG NEGOTIATIORS AND, EVEN MORE SO, THE UNWILLINGNESS OR INABILITY OF THOSE NEGOTIATORS TO GET THEIR INSTRUCTIONS CHANGED. FURTHERMORE, MILLS SAID HE COULD NOT EVEN BEGIN TO SEEK NEW INSTRUCTIONS UNTIL THE MEETING OF THE TEXTILES ADVISORY BOARD (TAB) WHICH IS COMPRISED OF INDUSTRY ADVISORS. IN OTHER WORDS, INSTEAD OF MILLS GOING TO DORWARD FOR FURTHER INSTRUCTIONS, HE APPEARS TO GET HIS GUIDANCE THESE DAYS FROM THE TAB. THE DAYS OF HKG/USG WORKING OUT PRAGMATIC SOULTIONS APPEAR ENDED (AT LEAST IN THE SHORT TERM) DOUBTLESS CAUSED IN SOME PART BY THE FACT THAT HKG NEGOTIATORS ARE GUN-SHY AFTER EC EXPERIENCE.
STERN

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